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*Secretary*  
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FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

AUG 12 1993

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OFFICE OF  
THE CHAIRMAN

Honorable Jim Slattery  
House of Representatives  
2243 Rayburn House Office Building  
Washington, DC 20515

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RECEIVED

Dear Congressman Slattery:

AUG 16 1993

Thank you for your letter expressing concern about how our regulations implementing the Cable Television Consumer Protection and Competition Act of 1992 may affect small cable systems. FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

As you know, our rate regulations are currently under reconsideration. Accordingly, your comments are being made part of the record of that proceeding ~~MM Docket No. 92-263~~

In addition, I wish to reiterate my own concerns about the regulatory impact of the 1992 Cable Act on small cable systems, especially those not affiliated with any MSO. I have directed the staff to explore a number of alternatives designed to alleviate the burdens that would otherwise be imposed on small systems to insure they remain a viable part of the telecommunications infrastructure. I assure you that the Commission is making every effort to minimize any negative repercussions for small operators resulting from re-regulation, within the bounds of the discretion provided to us by the Act itself.

As to your question regarding the customer service obligations of small cable systems, the specific issue of office locations is pending in our reconsideration of those rules and your comments will be made a part of that record as well (MM Docket No. 92-263). We can clarify, however, that there is no FCC requirement to maintain an office in each service area community. The relevant provision of our rules, 47 C.F.R. § 76.309(4)(c)(v), setting up a federal standard that local franchising authorities may exceed if they wish, requires only that a "customer service center" and "bill payment locations" be "conveniently located." A customer service center could be an equipment drop-off location open at least during normal business hours; a bill payment location could be a mail receptacle. A franchising authority may, however, in its discretion, require a cable operator to maintain an office in the service area community.

I assure you that your comments will be carefully weighed in our reconsideration proceedings.

Sincerely,

*James H. Quello*

James H. Quello  
Chairman

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**Congress of the United States**  
**House of Representatives**

**JIM SLATTERY**  
SECOND DISTRICT, KANSAS

July 18, 1993

The Honorable James Quello  
Acting Chairman  
Federal Communications Commission  
1919 M St., N.W.  
Washington, D.C. 20554

Dear Mr. Chairman:

I am writing with regard to the implementation of Section 623(i) of the Cable Television Consumer Protection and Competition Act of 1992, which requires that the Federal Communications Commission develop and and prescribe cable rate regulations that reduce the administrative burdens and cost of compliance for cable systems that have 1,000 or fewer subscribers. As the author of an amendment to the Act, adopted by the House on a voice vote, which increased the ceiling for small systems under Section 623(i) from 500 to 1,000 subscribers, I am writing to urge the Commission, as part of its current reconsideration of proposed regulations implementing the Act, to take several specific steps to alleviate unnecessary regulatory burdens upon these systems. I urge the Commission:

To permit small operators to justify their current rates based on a simplified net income analysis. A simple comparison of total system revenues to operating expenses, depreciation and interest expenses for some specified prior period would demonstrate whether the system's current rates require any further examination. A net income analysis would be much simpler to calculate and apply than the benchmark approach.

To permit small operators to increase rates to the benchmark cap. The Commission has found that rates at or below the national cap are "reasonable." By affording small operators presently charging rates below the cap the option to increase rates to the cap, these systems will retain the flexibility needed to generate necessary capital.

To authorize small operators to base rates on the bundling of service and equipment charges. The requirement that operators "back out" equipment costs based on "actual cost" from the benchmark rates is a particularly onerous procedural requirement. The Commission should adopt a mechanism that does not force small operators to engage in these calculations.

To allow small operators to pass-through rebuild costs. Small operators generally are located in rural areas. Congress and the

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The Honorable James Quello  
July 18, 1993  
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Commission have long advocated special regulatory treatment to make state-of-the-art communications technology available to rural areas. Permitting small operators to pass-through rebuild costs will increase the chances that rural subscribers promptly gain the benefits of state-of-the-art technology.

To clarify that the customer service requirements do not require small operators maintain local offices in each service area community. The local office rule will prove exceptionally onerous for many small operators. Under the rule, a system serving several communities of perhaps 100 subscribers would be obligated to bear the costs of local offices in each community. Any benefits clearly would be outweighed by the costs.

To commence a rulemaking addressing small system regulatory concerns. The Commission should comprehensively examine, in a separate proceeding, the impact of its regulations on small operators. This rulemaking should identify regulations which, when applied to small operators, are presumptively more harmful than beneficial. It should also discuss alternatives to benchmark regulations for small systems such as system profitability or level of net income. Small operators should be permitted to seek waivers of the identified regulations, with the burden placed on those who favor application of these regulations to the small operators.

I believe that taking these steps will enable small operators to serve their subscribers efficiently, while simultaneously maintaining the Act's consumer protections. I look forward to hearing from you regarding these issues, and thank you for your attention to this matter.

Sincerely,



JIM SLATTERY  
Member of Congress

Staff Contact:  
Howard Bauleke  
Washington Office